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ECONOMIC COOPERATION ADMINISTRATION
Washington 25, D.C.

3 January 1949

Rear Admiral Hillenkoetter
Central Intelligence Agency

Dear Admiral Hillenkoetter:

In connection with our preparation for hearings before Congress for a second appropriation for the European Recovery Program, we expect to be required to discuss the question of East-West trade rather fully in executive sessions before one or more Congressional committees. As you know, Section 117 (d) of the Foreign Assistance Act of 1948 has given the Economic Cooperation Administration certain responsibilities relating to control of the movement of certain military and strategic items to Eastern Europe. In this regard, we anticipate questions from Congress asking the significance of Western trade to the Soviet-orbit countries. Therefore, I should like to urgently request that your agency undertake an analysis of the significance of Western European trade to the success of the Communist-planned economies of Eastern Europe.

If possible, this study should indicate the immediate goals of the current plans of all of the Soviet-orbit governments, particularly those goals relating to industrialization and mechanization of the economies. The study should indicate the extent to which the Soviet Union is willing to aid the satellite governments in achieving their goals for industrialization, taking into consideration at the same time the degree to which Soviet import policy from these countries is hampering their development. When this part of the analysis has been completed it should be possible to determine, to some extent at least, the minimum trade required from Western Europe in order to fulfill the plans. If possible, it is desirable that this be done in terms of commodities, particularly such commodities as steel, machine tools, petroleum products, electrical equipment, ball-bearings, precision instruments and diesel engines. Finally, it would be desirable to have an estimate from the Central Intelligence Agency as to the political and economic impact on Soviet goals if such trade from the West were cut off.

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-2-

Inasmuch as hearings before Congress will commence around the middle of January, it would be desirable to have this study completed at least by the last of January. I realize that such short notice will not permit a full and exhaustive piece of research. However, I believe it desirable for our purposes that an immediate estimate of this situation be made.

Sincerely yours,

/s/

Administrator